

ABSTRACT

A method for creating investment securities structured from interest-rate derivative and mortgage pool components is described. The method includes analyzing the risk elements of the derivative and mortgage pool components, structuring one or more classes of securities, at least one of which is backed by these components in combination, and issuing the structured securities. A computer program product and data processing system for practicing the method are also described. A novel investment security is disclosed which incorporates cash flows from mortgage pool components and cash flows coming from derivative components. Finally, a method of adding value to mortgage-backed securities is described.

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